



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Set Public Hearing for April 7, 2004, to Consider Adopting Resolution Adjusting Water, Wastewater and Refuse Rates

**MEETING DATE:** March 3, 2004

**PREPARED BY:** Public Works Director

**RECOMMENDED ACTION:** That the City Council set a public hearing for April 7, 2004, to consider adopting a resolution adjusting water, wastewater and refuse rates.

**BACKGROUND INFORMATION:** Water and wastewater rates were last adjusted in 2001 to fund a major infrastructure replacement program. Refuse rates are adjusted annually. Increased costs, as described below, require another rate increase in order to maintain the financial health of these enterprises.

**Water**

In 2003, the water purchase contract with the Woodbridge Irrigation District was approved. This contract, which costs \$1.2 million per year, began in the second quarter of this fiscal year. At the time of adoption, staff indicated a rate increase would be necessary and planned to incorporate this action with discussion on how to utilize this water. However, due to various workload and other delays, this discussion is not yet ready to occur. Yet, the financial pressure on the water utility from this contract and the PCE/TCE issue is such that a rate increase should not be delayed.

The PCE/TCE issue will, at best, increase cash flow demands upon the water utility, assuming that all our costs are reimbursed. "Worse" scenarios would include additional non-reimbursable legal, technical, administrative and clean-up costs that we do not recover. Staff recommends that the rate adjustment include an amount over the minimum needed for the water purchase. With this increase and some, hopefully temporary, adjustments in the capital replacement program, the water utility should be able to function and pay these costs until the results of the PCE/TCE issue are known. Also, as directed by the City Council on February 18, 2004, the in-lieu of taxes transfer to the general fund is being reduced from 12% to 9%, to make the increase essentially revenue neutral to the General Fund.

The recommended rate increase is shown in Table A. This would increase the rate for a two-bedroom home by \$5.68 per month. Also as requested by the Council, presented in Table A are rates for various low-income discount options. Note that the calculations and rates shown are based on the total bill. The billing, which shows the replacement program separately, would show the entire increase in the water portion and the replacement program amount would be unchanged.

**Wastewater**

The State-mandated White Slough Water Pollution Control Facility improvements are being funded through certificates of participation which will increase annual debt service requirements by approximately \$2 million. In addition, operating costs will increase with the additional improvements.

APPROVED:

  
H. Dixon Flynn, City Manager

Staff and our consultants are developing a cost and revenue model that brings these factors together and presented a preliminary version to the City Council in October 2003. The model is still being refined as we proceed on the 2004 financing, including analysis of required revenue/expense coverage ratios. The two outstanding debts have different criteria on how coverage and "additional bonds test" are calculated and all must be satisfied in order to issue the Phase 2 project COP's. Our financial consultants are recommending a healthy coverage ratio rather than minimum levels in order to obtain the best possible interest rates. These requirements, along with unavailability of the low-interest State Revolving Loan fund, are also driving up the recommended rate increases.

The rate increase is still being refined and will be made available before the public hearing. The same assumptions as in the water utility concerning the in-lieu transfer will be incorporated in the revenue model. The existing rates are shown in Table B, which will be updated to show the proposed rates and discount options similar to water in Table A.

In addition to wastewater service rates, the White Slough Water Pollution Control Facility improvements also include capacity for future growth. Consistent with past practice, a portion of the costs have been allocated to "growth", and, as described in the October 2003 shirtsleeve session, staff proposes to combine the "capacity" fee, currently charged with building permits, into the wastewater impact mitigation fee (IMF) program. The current capacity fee for a two-bedroom home is \$2,099. The current wastewater IMF is \$544/acre or \$108.80, assuming five homes per acre. The new combined fee, including the White Slough project increase, is approximately \$3,600 per two-bedroom home. Making these modifications will require changes to the City Code, which will be presented at a later meeting.

At the February 18, 2004, City Council meeting, staff also discussed funding some PCE/TCE work in the wastewater fund. Since the most likely costs involve the replacement of sewers (as has already been done at one location) staff is not recommending an additional increase for PCE/TCE purposes since the revenue model includes sufficient funds for these capital replacement projects as previously planned. (The locations, however, might change.)

#### **Low-Income Discount Program**

The City's current discount for qualified low-income water and wastewater customers is 10%. These are customers who are eligible for certain Social Security payments (SSI/SSP). Under a separate, later Council item, staff is recommending that the eligibility criteria be broadened and made consistent with other electric utility programs. However, that action does not include establishing the actual discount, which, if the ordinance is approved, would be included in the rate resolution.

A 25% discount on both water and wastewater would largely negate the effects of the proposed rate increases. The revenue impact at this percentage with the expanded eligibility criteria is estimated at roughly \$120,000 annually. Assuming the recommended ordinance is adopted, the discount rate would be set by resolution.

Note that these discounts only apply to customers who pay their own bill for the applicable service. For rental homes and apartments, practices among landlords can vary, so the user may not be able to receive all the discounts.

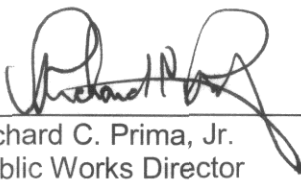
#### **Refuse**

In 2002, Council adopted a resolution that approved set rate increases through 2005 beginning on April 1, 2002, at 1.5% per year. Along with the approved rate increase, Central Valley Waste Services is also requesting an additional increase due to a recent landfill gate fee increase. Our contract with Central Valley Waste Services states in Section 7, item g, that contractor may request and the City may grant

rate changes when the contractor incurs increased costs due to a change in landfill costs. Staff has verified the figures and the resulting rates are shown in Table C.

The low-income discount issue for refuse is slightly different than in water/wastewater. The refuse rates have included a separate category for low-income with separate eligibility criteria for over ten years, and, over time, it was not always raised along with other rates. It only applies to two service levels (20-gallon and 38-gallon). Thus, the existing "discount" is far greater than 10%, as shown in Table C-1, category 6. The criteria for this discount is "...less than \$12,000 annual income for a single person...", with higher limits for additional family members. The City's separate 10% discount for SSI/SSP recipients applies to service categories 1 through 4. Staff proposes to eliminate category 6 as a separate rate class and apply whatever discount the Council deems appropriate to all of the cart service categories (1 through 5). This discount would be granted to customers who meet the eligibility criteria per the ordinance.

**FUNDING:** None needed.



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Richard C. Prima, Jr.  
Public Works Director

RCP/pmf

Attachments

## Table A: Water Utility

<u>Table A. Water Utility</u>		<u>Present Rate</u>	<u>May-04</u>	<u>Discount Rates @ % Reduction Shown</u>								
Residential Flat Rate (per month):				<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>					
Single Family Unit (one bedroom)	\$	13.51	\$	18.24	\$	16.42	\$	14.59	\$	13.68	\$	12.77
(two bedrooms)	\$	16.22	\$	21.90	\$	19.71	\$	17.52	\$	16.43	\$	15.33
(three bedrooms)	\$	19.45	\$	26.26	\$	23.63	\$	21.01	\$	19.70	\$	18.38
(four bedrooms)	\$	23.36	\$	31.54	\$	28.39	\$	25.23	\$	23.66	\$	22.08
(five bedrooms)	\$	28.04	\$	37.85	\$	34.07	\$	30.28	\$	28.39	\$	26.50
(six bedrooms)	\$	33.64	\$	45.41	\$	40.87	\$	36.33	\$	34.06	\$	31.79
(seven bedrooms)	\$	40.35	\$	54.47	\$	49.02	\$	43.58	\$	40.85	\$	38.13
Multiple Family Unit (one bedroom)	\$	11.60	\$	15.66	\$	14.09	\$	12.53	\$	11.75	\$	10.96
(two bedrooms)	\$	13.91	\$	18.78	\$	16.90	\$	15.02	\$	14.09	\$	13.15
(three bedrooms)	\$	16.69	\$	22.53	\$	20.28	\$	18.02	\$	16.90	\$	15.77
+ 20% for ea. add'l. bedroom												
Commercial/Industrial Flat Rate	varies		add:		35%							
(Existing accounts only. New accounts are metered.)												
Metered Rate	\$	0.524	per 100 cu. ft.	\$	0.707							
	(approx. 70¢ per 1,000 gal.)			(approx. 95¢ per 1,000 gal.)								
plus monthly base charge:	\$	11.43	¾" meter	\$	15.43							
	\$	17.14	1" meter	\$	23.14							
	\$	22.85	1½" meter	\$	30.85							
	\$	28.58	2" meter	\$	38.58							
	\$	40.00	3" meter	\$	54.00							
	\$	51.43	4" meter	\$	69.43							
	\$	74.29	6" meter	\$	100.29							
	\$	97.16	8" meter	\$	131.17							
	\$	-	10" meter	\$	162.04							
Construction Water Charges:	\$	0.524	per 100 cu. ft.	\$	0.707							

Note: Includes reduction in General Fund In-lieu transfer from 12% to 9% beginning in FY05/06 based on full year of increased revenue

**Table B: Wastewater Utility**

		<u>Present Rate</u>	<u>May-04</u>	<u>Jul-05</u>	<u>July 2005 Discount Rates @ % Reduction Shown</u>			
Disposal to Domestic System:					<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>
Residential (per month)	1 Bedroom	\$ 9.73						
	2 Bedrooms (basis for 1 Sewage Service Unit)	\$ 12.97						
	3 Bedrooms	\$ 16.23						
	4 Bedrooms	\$ 19.47						
	5 Bedrooms	\$ 22.71						
	6 Bedrooms	\$ 25.95						
	7 Bedrooms	\$ 29.20						
Moderate Strength (annual per SSU)		\$ 155.68						
(Most commercial & industrial unless "high								
High strength user:								
	Flow (per MG, annual basis)	\$ 749.09						
	BOD (per 1,000 lbs., annual basis)	\$ 366.58						
	SS (per 1,000 lbs., annual basis)	\$ 299.66						
Grease Interceptor and Septic Holding Tank Waste within City Limits (per 1,000 gal.)		\$ 114.75						
Septic (only) Holding Tank Waste Outside City		\$ 243.61						
Disposal to Storm Drain System (per MG)		\$ 120.53						
Disposal to Industrial System:								
	Flow (per MG, annual basis)	\$ 954.30						
	BOD (per 1,000 lbs., annual basis)	\$ 33.56						

**Table C-1 - Solid Waste (Refuse)**

	Present Rate		Discount Rates @ % Reduction Shown			
	Per Month	May-04	10%	20%	25%	30%
<b><u>1. 38 GALLON REFUSE CART 1X PER WEEK**</u></b>						
1 Refuse Cart	\$19.12	\$ 19.64	\$ 17.68	\$ 15.71	\$ 14.73	\$ 13.75
2 Refuse Carts	\$47.79	\$ 49.08	\$ 44.17	\$ 39.26	\$ 36.81	\$ 34.36
3 Refuse Carts	\$76.46	\$ 78.52	\$ 70.67	\$ 62.82	\$ 58.89	\$ 54.96
4 Refuse Carts	\$105.13	\$ 107.96	\$ 97.16	\$ 86.37	\$ 80.97	\$ 75.57
<b><u>2. 64 GALLON REFUSE CART 1X PER WEEK**</u></b>						
1 Refuse Cart	\$28.75	\$ 29.52	\$ 26.57	\$ 23.62	\$ 22.14	\$ 20.66
2 Refuse Carts	\$71.88	\$ 73.82	\$ 66.44	\$ 59.06	\$ 55.37	\$ 51.67
3 Refuse Carts	\$114.99	\$ 118.09	\$ 106.28	\$ 94.47	\$ 88.57	\$ 82.66
<b><u>3. 96 GALLON WASTE CART 1X PER WEEK**</u></b>						
1 Refuse Cart	\$62.71	\$ 64.40	\$ 57.96	\$ 51.52	\$ 48.30	\$ 45.08
2 Refuse Carts	\$125.43	\$ 128.81	\$ 115.93	\$ 103.05	\$ 96.61	\$ 90.17
3 Refuse Carts	\$188.14	\$ 193.21	\$ 173.89	\$ 154.57	\$ 144.91	\$ 135.25
<b><u>4. DUPLEX AND MULTI-FAMILY, AND MOBILE HOMES</u></b>						
Monthly rate is reduced from above base rates	(\$1.00)	(\$1.00)	(\$1.00)	(\$1.00)	(\$1.00)	(\$1.00)
<b><u>5. LOW VOLUME USER 1X PER WEEK****</u></b>						
One (1) - 20 Gallon Low Volume Refuse Cart	\$13.01	\$ 13.36	\$ 12.02	\$ 10.69	\$ 10.02	\$ 9.35
<b><u>6. LOW INCOME USER 1X PER WEEK****</u></b>						
20 Gallon Refuse Cart	\$8.24	n/a	37% existing rate discount			
38 Gallon Refuse Cart	\$10.30	n/a	46% existing rate discount			
<b><u>7. ADDITIONAL 64 GALLON RECYCLING CARTS</u></b>						
Second and Third Recycling Cart	No Additional Charge					
Fourth and Each Additional Cart	\$10.30	\$ 10.58				
<b><u>8. ADDITIONAL 96 GALLON YARD AND GARDEN CARTS</u></b>						
Second and Third Yard and Garden Cart	No Additional Charge					
Fourth and Each Additional Yard and Garden Car	\$10.30	\$ 10.58				
<b><u>9. BACK YARD SERVICE****</u></b>						
Monthly service charge	\$10.77	\$ 11.06				
Qualified Disabled	No Additional Charge					

**\*\* Eligible for 10% City Utility Discount Program**

(Will revise note per Council approval)

**\*\*\*\* Applies to Single Family Dwellings Only**

WEEKLY SERVICE - ONE (1) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$ 102.64	\$ 190.97	\$ 437.58	\$ 789.70	\$ 1,247.34	\$ 1,810.50
2	\$ 163.08	\$ 297.53	\$ 621.91	\$ 1,072.93	\$ 1,650.56	\$ 2,354.79
3	\$ 223.51	\$ 404.09	\$ 806.26	\$ 1,356.16	\$ 2,053.77	\$ 2,899.09
4	\$ 283.94	\$ 510.65	\$ 990.59	\$ 1,639.36	\$ 2,456.96	\$ 3,443.40
5	\$ 344.39	\$ 617.21	\$ 1,174.94	\$ 1,922.59	\$ 2,860.19	\$ 3,987.70
6	\$ 404.82	\$ 723.77	\$ 1,359.26	\$ 2,205.82	\$ 3,263.38	\$ 4,531.99
7	\$ 465.26	\$ 830.34	\$ 1,543.62	\$ 2,489.04	\$ 3,666.59	\$ 5,076.29
8	\$ 525.69	\$ 936.89	\$ 1,727.96	\$ 2,772.25	\$ 4,069.80	\$ 5,620.59
9	\$ 586.13	\$ 1,043.46	\$ 1,912.30	\$ 3,055.49	\$ 4,473.02	\$ 6,164.90
10	\$ 646.56	\$ 1,150.00	\$ 2,096.63	\$ 3,338.70	\$ 4,876.21	\$ 6,709.18

WEEKLY SERVICE - TWO (2) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$ 149.56	\$ 281.90	\$ 583.35	\$ 997.52	\$ 1,524.41	\$ 2,164.03
2	\$ 254.00	\$ 473.63	\$ 896.16	\$ 1,453.99	\$ 2,147.03	\$ 2,975.39
3	\$ 358.45	\$ 665.35	\$ 1,209.00	\$ 1,910.44	\$ 2,769.68	\$ 3,786.75
4	\$ 462.89	\$ 857.10	\$ 1,521.81	\$ 2,366.87	\$ 3,392.31	\$ 4,598.11
5	\$ 567.35	\$ 1,048.80	\$ 1,834.63	\$ 2,823.34	\$ 4,014.95	\$ 5,409.48
6	\$ 671.80	\$ 1,240.54	\$ 2,147.42	\$ 3,279.80	\$ 4,637.59	\$ 6,220.83
7	\$ 776.26	\$ 1,432.27	\$ 2,460.27	\$ 3,736.25	\$ 5,260.21	\$ 7,032.19
8	\$ 880.70	\$ 1,624.01	\$ 2,773.08	\$ 4,192.70	\$ 5,882.85	\$ 7,843.55
9	\$ 985.17	\$ 1,815.73	\$ 3,085.91	\$ 4,649.15	\$ 6,504.78	\$ 8,654.90
10	\$ 1,089.61	\$ 2,007.44	\$ 3,398.72	\$ 5,105.60	\$ 7,129.19	\$ 9,466.26

WEEKLY SERVICE - THREE (3) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$ 190.41	\$ 360.77	\$ 700.21	\$ 1,152.37	\$ 1,717.27	\$ 2,394.88
2	\$ 335.72	\$ 631.35	\$ 1,129.90	\$ 1,763.69	\$ 2,532.76	\$ 3,437.12
3	\$ 481.03	\$ 901.95	\$ 1,559.58	\$ 2,375.01	\$ 3,348.27	\$ 4,479.33
4	\$ 626.32	\$ 1,172.52	\$ 1,989.24	\$ 2,986.32	\$ 4,163.76	\$ 5,521.57
5	\$ 771.63	\$ 1,443.11	\$ 2,418.92	\$ 3,597.65	\$ 4,979.28	\$ 6,563.77
6	\$ 916.96	\$ 1,713.69	\$ 2,848.60	\$ 4,208.95	\$ 5,794.76	\$ 7,606.00
7	\$ 1,062.25	\$ 1,983.94	\$ 3,278.28	\$ 4,820.26	\$ 6,610.24	\$ 8,648.23
8	\$ 1,207.57	\$ 2,254.85	\$ 3,707.96	\$ 5,431.59	\$ 7,425.76	\$ 9,690.46
9	\$ 1,352.87	\$ 2,525.44	\$ 4,137.64	\$ 6,042.90	\$ 8,241.25	\$ 10,732.67
10	\$ 1,498.19	\$ 2,796.03	\$ 4,567.32	\$ 6,654.22	\$ 9,056.74	\$ 11,774.89

WEEKLY SERVICE - FOUR (4) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$ 231.27	\$ 439.63	\$ 817.08	\$ 1,307.26	\$ 1,910.15	\$ 2,625.77
2	\$ 417.45	\$ 789.08	\$ 1,363.62	\$ 2,073.43	\$ 2,918.51	\$ 3,898.86
3	\$ 603.62	\$ 1,138.55	\$ 1,910.17	\$ 2,839.63	\$ 3,926.88	\$ 5,171.95
4	\$ 789.80	\$ 1,488.00	\$ 2,456.72	\$ 3,605.81	\$ 4,935.25	\$ 6,445.05
5	\$ 975.96	\$ 1,837.45	\$ 3,003.27	\$ 4,372.00	\$ 5,943.63	\$ 7,718.15
6	\$ 1,162.15	\$ 2,186.91	\$ 3,549.83	\$ 5,138.19	\$ 6,951.99	\$ 8,991.24
7	\$ 1,348.33	\$ 2,536.37	\$ 4,096.38	\$ 5,904.38	\$ 7,960.36	\$ 10,264.35
8	\$ 1,534.52	\$ 2,885.82	\$ 4,642.93	\$ 6,670.56	\$ 8,968.73	\$ 11,537.44
9	\$ 1,720.69	\$ 3,235.28	\$ 5,189.47	\$ 7,436.77	\$ 9,977.11	\$ 12,810.53
10	\$ 1,906.87	\$ 3,584.72	\$ 5,736.02	\$ 8,202.92	\$ 10,985.48	\$ 14,083.64

WEEKLY SERVICE - FIVE (5) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$ 272.13	\$ 518.51	\$ 933.95	\$ 1,462.12	\$ 2,103.02	\$ 2,856.63
2	\$ 499.18	\$ 946.81	\$ 1,597.38	\$ 2,383.19	\$ 3,304.26	\$ 4,360.59
3	\$ 726.22	\$ 1,375.15	\$ 2,260.78	\$ 3,304.24	\$ 4,505.51	\$ 5,864.58
4	\$ 953.25	\$ 1,803.47	\$ 2,924.21	\$ 4,225.31	\$ 5,706.74	\$ 7,368.55
5	\$ 1,180.32	\$ 2,231.80	\$ 3,587.63	\$ 5,146.36	\$ 6,907.98	\$ 8,872.52
6	\$ 1,407.36	\$ 2,660.12	\$ 4,251.05	\$ 6,067.41	\$ 8,109.23	\$ 10,376.48
7	\$ 1,634.41	\$ 3,088.44	\$ 4,914.47	\$ 6,988.48	\$ 9,310.47	\$ 11,880.45
8	\$ 1,861.45	\$ 3,516.77	\$ 5,577.89	\$ 7,909.54	\$ 10,511.70	\$ 13,384.43
9	\$ 2,088.50	\$ 3,945.09	\$ 6,241.29	\$ 8,830.59	\$ 11,712.96	\$ 14,888.41
10	\$ 2,315.55	\$ 4,373.41	\$ 6,904.71	\$ 9,751.65	\$ 12,914.18	\$ 16,392.37

WEEKLY SERVICE - SIX (6) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$ 312.99	\$ 597.35	\$ 1,050.83	\$ 1,616.98	\$ 2,295.88	\$ 3,087.51
2	\$ 580.89	\$ 1,104.55	\$ 1,831.09	\$ 2,692.91	\$ 3,689.99	\$ 4,822.33
3	\$ 848.81	\$ 1,611.72	\$ 2,611.38	\$ 3,768.82	\$ 5,084.09	\$ 6,557.18
4	\$ 1,116.70	\$ 2,118.90	\$ 3,391.64	\$ 4,844.74	\$ 6,478.19	\$ 8,292.00
5	\$ 1,384.60	\$ 2,626.07	\$ 4,171.92	\$ 5,920.66	\$ 7,872.30	\$ 10,026.84
6	\$ 1,652.50	\$ 3,133.28	\$ 4,952.21	\$ 6,996.59	\$ 9,266.40	\$ 11,761.68
7	\$ 1,920.41	\$ 3,640.46	\$ 5,732.48	\$ 8,072.50	\$ 10,660.51	\$ 13,496.50
8	\$ 2,188.30	\$ 4,147.64	\$ 6,512.75	\$ 9,148.42	\$ 12,054.60	\$ 15,231.34
9	\$ 2,456.21	\$ 4,654.82	\$ 7,293.05	\$ 10,224.34	\$ 13,448.71	\$ 16,966.17
10	\$ 2,724.12	\$ 5,162.00	\$ 8,073.31	\$ 11,300.25	\$ 14,842.82	\$ 18,701.02



# 10 TO 50 CUBIC YARD CONTAINERS

## RATE STRUCTURE

EFFECTIVE APRIL 1, 2004 THROUGH MARCH 31, 2005

### PERMANENT HIGH FREQUENCY ROLL-OFF RATES

<u>RATES</u>	
1. Drop-off and Pick-up Charge Per Box	\$ 136.17
2. Weighed Tons Disposed/Box X Processing Charge	\$ 30.66
3. Franchise Fee (4.8% of 1+2)	\$ -
TOTAL BILL (1+2+3)	\$ -

### ONE-TIME TEMPORARY USER ROLL-OFF RATES

1. Drop/off/Pick-up Charge Per Box	\$ 172.81
2. Tons Disposed/Box X Processing Charge (Average of five (5) tons charged per Box)	\$ 30.66
3. Franchise Fee (4.8% of 1+2)	\$ -
TOTAL BILL (1+2+3)	